

PENSION FUND COMMITTEE – 19 MARCH 2010
OXFORDSHIRE PENSION FUND BUSINESS PLAN AND BUDGET
FOR 2010/11

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. Following the publication of the Myners Report, the Pension Fund Committee requested that officers draw up an annual business plan, which should contain financial estimates for the investment and administration of the Pension Fund and appropriate provision for member training.
2. This report sets out the annual business plan for 2010/11 and also includes an investment management and scheme administration budgets and proposals for member training.

Review of the 2009/10 Business Plan

3. All eight of the tasks set out in the 2009/10 Business Plan for Investments were completed successfully, including undertaking induction programmes for the new IFA and councillors, reviewing the level of investment in hedge funds and private equity and reviewing the need for external consultants.
4. The delivery against the tasks set out in the 2009/2010 Administration Business Plan have been partly met. Full staffing was achieved within the year and work was reorganised on a functional basis to concentrate training and achieve better focus. This re-organisation did take longer than anticipated but as a result a high level of data cleansing was achieved. As a result functions are more in specification deadline, with the exception of leavers and re-employments where the volumes remain challenging. Working with employers to improve data flow and reduce the number of queries has continued, with some notable successes, but there is more to do. Work on process improvements and admission bodies are continuing.

Oxfordshire Pension Fund 2010/11 Business Plan

5. Annex 1 sets out a recommended business plan for the 2010/11 financial year. The plan summarises the investment and pension administration tasks to be carried out during 2010/11, and the target dates for these.

Oxfordshire Pension Fund 2010/11 Budget

6. Annex 2 sets out the Fund's investment management and scheme administration budget for 2010/11 and compares it with the budget set for 2009/10. A report comparing the investment management and scheme

administration outturn figures against the budget for 2009/10 will be produced for the September 2010 Committee meeting.

7. The **Fund Management Fee** budget has increased from £2.4m to £3.0m, due to a projected increase in the average market value of the assets under management compared with 2009/10. This reverses a reduction from 2008/09 to 2009/10 where the fee budget reduced from £3.4m to £2.4m.
8. The increase in the **Global Custody Fee** is also due to the projected higher average valuation of the Fund's investments compared with the previous financial year.
9. The **Independent Financial Adviser** budget has reduced because we have reduced the provision for special assignments in the coming year.
10. The income budget for **Stock Lending fees** has been substantially increased to reflect the experience of 2009/10 where there has been a substantial increase in stock lending. It should be noted that the business plan includes a review of this activity with a report to the Committee later this year.
11. The **Financial Services Recharge** has varied marginally due to small changes in personnel on the investment side.
12. The increase in the **Financial Services Recharge** for administration reflects the fact that the team is now fully staffed.
13. The estimated increase in the **Audit Fee** is as a result of the increase in the market value of the Fund. Previously the Oxfordshire Fund was in the middle band, but it has now moved into the upper band.
14. There has been a small decrease in **Other Costs** due to a reduction in the Pension Fund committee costs.

Member Training Budget and Programme

15. Following the recommendations of the Myners Review on Institutional Investment in the UK, a member training budget is now agreed each year. Although it is anticipated that the 2009/10 budget will be underspent it is recommended that the 2010/11 budget be maintained at the same level.
16. CIPFA have published a booklet entitled 'Pensions Finance Knowledge and Skills Framework – Technical Guidance for Elected Representatives and non-executive Members in the Public Sector. A copy of this has been ordered with a view to reviewing its content and reporting on any member training implications to the next Committee.
17. Subject to the outcome of the above review, Member training for the coming year will be delivered in the same way as it has been in recent years, i.e. by:
 1. Internal training sessions prior to Committee

2. External conferences and seminars
 3. Individual one-to-one briefings when requested
 4. Teleconferences and video messages
 5. Circulation of topical articles of interest
18. In accordance with the Committees wishes, officers will continue to organise a programme of internal training sessions for members. These sessions will normally precede the quarterly Pension Fund Committee meetings. However, member views are sought on whether an additional half day training session should be organised once a year with an external speaker. This would be time efficient for councillors who struggle to attend external seminars which usually take up an entire day.
19. There are a number of external organisations that provide member training seminars and workshops, often at no cost to the Council. There are also conferences and seminars run regularly during the year which can be funded using the member training budget. Officers will keep members informed of these events and others throughout the year.
20. In the past officers have offered members individual briefing/tuition sessions on a one-to-one basis. These have not taken place recently, but if any member wishes to have a one-to-one training session then they should just let Paul Gerrish know.
21. As well as formal events, with the increased use of technology, there are more and more teleconferences and video messages being used by Fund Managers and other organisations. Details of these events can be circulated to members during the year.
22. Throughout the year members may also be provided with topical articles and newspaper cuttings, which officers consider to be of interest.
23. These proposals for member training are clearly for the benefit of members. The purpose is to ensure that members of the Pension Fund Committee can fulfil their responsibilities. As a consequence the Committee is asked whether:
- the proposals meet their needs
 - whether anything needs to be added to the proposals
 - which proposals are particularly attractive or beneficial

RECOMMENDATION

24. **The Committee is RECOMMENDED to:**
- (a) approve the Business Plan, as set out at Annex 1, for 2010/11;**
 - (b) approve the Investment Management and Scheme Administration Budget for 2010/11, as set out in Annex 2;**

- (c) comment on the proposals for member training as set out in the report; and**
- (d) subject to (c) above, agree the arrangements for member training.**

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Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

Contact Officer: Paul Gerrish, Head of Finance & Procurement
Tel: (01865) 323969
Mob: 07717 888 631

March 2010

Oxfordshire Pension Fund Business Plan 2010/11

Investments

Task	Comments	Deadline
Review the voting arrangements	We currently have a contract with RREV for UK Equities and ask managers to vote in accordance with RREV recommendations. This contract was put in place about five years ago and its annual renewal is due in May. It seems appropriate to review the arrangements, including consideration of Overseas equities.	June 2010
Self-assessment against CIPFA guide to implementing the new Myners principles	A revised set of Myners principles has been developed for Pension Funds. CIPFA published guidance in December 2009 on implementing these principles.	September 2010
Review of the Statement of Investment Principles (SIP)	The current, published in the Annual Report, has been amended incrementally over the past few years. New investment regulations were introduced in 2009 requiring new things to be included. It is timely therefore to undertake a thorough review.	September 2010
Introduce a separate bank account for the Pension Fund	New investment regulations introduced in 2009 require pension Fund administering authorities to keep separate bank accounts for Pension Fund and County Council transactions. This requirement needs to be implemented by April 2011.	April 2011

Task	Comments	Deadline
Review of stock lending arrangements	The custodian of Pension Fund assets (BNY Mellon) lend the Pension Fund stock, sharing the income derived from this activity with the Fund. The Pension Regulator is urging trustees to review the terms under which this practice is undertaken. Key issues are the collateral offered and the counterparties used.	December 2010

Pensions Administration

Task	Actions	Measure of Success	Deadlines
To maintain current staffing level	<ol style="list-style-type: none"> 1. Maintain current staffing levels 	<ol style="list-style-type: none"> 1. Turnover in line with OCC average 	On - going
To maintain training programme to meet work needs and individual aspirations. Note work now organised on a functional basis.	<ol style="list-style-type: none"> 1. To train team members to deal with all aspects of the allocated functions. 2. To move team members to different functions, to assist their learning, providing this supports work requirements. 3. Encourage team members to study for appropriate qualifications 	<ol style="list-style-type: none"> 1. Team members are trained to enable them to meet demands of specific functions. 2. 98% of work is done correctly first time 3. 80% + of team members undertake / hold appropriate pension qualification 	<p>On – going</p> <p>On – going</p> <p>March 2011</p>
Monitoring of work performance	<ol style="list-style-type: none"> 1. To review monitoring system to meet reporting requirements 2. To bring all functions into specification deadline 3. To review and reduce specification deadlines where appropriate 4. To introduce task management on a phased basis 	<ol style="list-style-type: none"> 1. To provide figures detailing work in specification on monthly basis 2. All functions, with exception of leavers and re-employments to be in specification deadline by August 2010. 3. Leavers and re-employments to be in specification deadline by December 2010. 4. Identify functions where specification deadline can be reduced to improve response times. 5. Task management to be introduced, on a phased basis, as functions have been reviewed 	<p>Monthly</p> <p>August 2010</p> <p>December 2010</p> <p>March 2011</p> <p>On – going</p>

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Task	Actions	Measure of Success	Deadlines
2010 Valuation	<ol style="list-style-type: none"> 1. To work with employers to improve data flow to pensions 2. To resolve outstanding issues, as far as possible, ahead of valuation 3. To provide information to actuary within specified timescale 4. To assist with provision of information to scheme employers and dealing with any queries arising. 	<ol style="list-style-type: none"> 1. Accurate and timely end of year files received 2. To identify issues – work with specified employers to resolve outstanding queries 3. To send file to actuaries identifying any omissions / errors 4. Data sent to employers to meet their budget deadlines 	<p>30 April 2010</p> <p>On – going</p> <p>31 August 2010</p> <p>31 January 2011</p>
Admission Agreements	<ol style="list-style-type: none"> 1. To monitor employer contributions 2. To maintain register of all employing bodies 3. To update admission agreements as necessary 4. To work with employers and other parties to ensure consistent procedures when services are outsourced 	<ol style="list-style-type: none"> 1. Have early identification of any issues. 2. To update / review register monthly 3. That pension issues are completed on time when services are outsourced. 	On - going
Continuous Improvement	<ol style="list-style-type: none"> 1. To plan review of functions in accordance with SLA 2. To monitor these on a monthly basis 	<ol style="list-style-type: none"> 1. That planned timetable is adhered to, and that changes are implemented within timescale. 	On - going
Implementation of New Regulations.	<ol style="list-style-type: none"> 1. To reply to consultation / implement regulatory changes as necessary 	<ol style="list-style-type: none"> 1. That any changes are implemented in a timely manner and processes updated accordingly 2. That the response to any consultations is made within the necessary time frame 	Ad hoc

OXFORDSHIRE PENSION FUNDINVESTMENT MANAGEMENT AND SCHEME ADMINISTRATION BUDGET 2010/2011

	2010/11	2009/10
	Budget	Budget
	£000	£000
<u>Investment Management</u>		
Fund Management Fees	3,000	2,400
Global Custody Fee	95	70
Independent Financial Adviser	57	60
Consultancy Fees	62	62
Performance Measurement Service	13	12
Member Training	12	12
Financial Services Recharges	221	216
Other	5	5
	3,465	2,837
LESS: Stock lending fees	230	125
	3,235	2,712
<u>Scheme Administration</u>		
Financial Services Recharges	944	936
Printing & Stationery	35	35
Postage	23	23
Software Support & Licensing	130	125
Actuary Fees	90	90
District Audit Fees	83	50
Appointed Person Fees	2	2
Other	43	50
	1350.0	1311.0
LESS: Recharge for Fire & Teachers Administration	29.0	28.0
Other Income (SIB & Divorce)		
	29.0	28.0
Total Scheme Administration	1321.0	1283.0
Total Investment Management and Scheme Administration cost to be charged to the Fund	4,556	3,995